

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
MICHIGAN CONSOLIDATED GAS COMPANY)	
for approval of a gas cost recovery plan, 5-year)	Case No. U-11145
forecast, and monthly factors for calendar year)	
1997.)	
_____)	

At the September 30, 1997 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. John G. Strand, Chairman
Hon. John C. Shea, Commissioner
Hon. David A. Svanda, Commissioner

**ORDER GRANTING JOINT MOTION TO REOPEN
AND APPROVING REVISED GAS COST RECOVERY FACTOR**

On July 16, 1996, Michigan Consolidated Gas Company (Mich Con) filed an application, testimony, and exhibits requesting authority to implement a gas cost recovery (GCR) plan and factors for the 12-month period ending December 31, 1997. Hearings were held, at which Attorney General Frank J. Kelley (Attorney General), the Association of Businesses Advocating Tariff Equity (ABATE), the Residential Ratepayer Consortium (RRC), Shell Western E & P, Inc. (SWEPI), ANR Pipeline Company (ANR),¹ and the Commission Staff (Staff) participated.

¹ At the request of Mich Con, the ALJ limited the participation of SWEPI and ANR (in accordance with the restrictions set forth in the Commission's February 23, 1989 order in Case No. U-9174) to supplier-related issues.

On August 13, 1997, the Commission issued an order authorizing Mich Con to charge a GCR factor of up to \$2.83 per thousand cubic feet (Mcf).

On September 10, 1997, Mich Con, the Attorney General, ABATE, the RRC, and the Staff filed a joint motion to reopen the record and to amend Mich Con's maximum monthly GCR factor, as provided for by Section 6h(10) of 1982 PA 304, MCL 460.6h(10); MSA 22.13(6h)(10). SWEPI and ANR filed letters of non-objection to the relief requested in the joint motion.

According to the joint motion, recent and unanticipated increases in the price of natural gas on the New York Mercantile Exchange (NYMEX) have placed Mich Con at risk to experience a GCR underrecovery for 1997 of approximately \$17 million because Mich Con's proposed 1997 GCR plan calls for the purchase of approximately 200 billion cubic feet of gas at prices that are indexed to the NYMEX price. The joint motion points out that the effect of a GCR underrecovery of that magnitude would be exacerbated by the statutory requirement that GCR customers pay interest on the amount of the underrecovery at Mich Con's short-term debt rate. The joint motion states that the potential GCR underrecovery and the related interest burden may be minimized or entirely avoided if the Commission authorizes Mich Con to implement a maximum GCR factor of up to \$3.18 per Mcf commencing October 1997 and continuing through the end of the GCR plan year.

The Commission finds that the relief requested in the September 10, 1997 joint motion should be granted. The joint motion indicates a consensus among the parties that are most interested in the determination of Mich Con's 1997 GCR factor with regard to the importance of averting a large GCR underrecovery.

The Commission FINDS that:

a. Jurisdiction is pursuant to 1909 PA 300, as amended, MCL 462.2 et seq.; MSA 22.21 et seq.; 1919 PA 419, as amended, MCL 460.51 et seq.; MSA 22.1 et seq.; 1939 PA 3, as amended, MCL 460.1 et seq.; MSA 22.13(1) et seq.; 1982 PA 304, as amended, MCL 460.6h et seq.; MSA 22.13(6h) et seq.; 1969 PA 306,

as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.; and the Commission's Rules of Practice and Procedure, as amended, 1992 AACCS, R 460.17101 et seq.

b. The relief requested in the September 10, 1997 motion filed by Mich Con, the Attorney General, ABATE, the RRC, and the Staff should be granted.

THEREFORE, IT IS ORDERED that Michigan Consolidated Gas Company is authorized to charge a monthly gas cost recover factor of up to \$3.18 per thousand cubic feet for the billing months of October through December 1997.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26; MSA 22.45.

MICHIGAN PUBLIC SERVICE COMMISSION

John G. Strand
Chairman

(S E A L)

John C. Shea
Commissioner

David A. Svanda
Commissioner

By its action of September 30, 1997.

Dorothy Wideman
Executive Secretary

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MICHIGAN PUBLIC SERVICE COMMISSION

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By its action of September 30, 1997.

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Suggested Minute:

“Adopt and issue order dated September 30, 1997 granting the joint motion to reopen the record and authorizing Michigan Consolidated Gas Company to increase its gas cost recovery factor for October through December 1997, as set forth in the order.”